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INTRODUCTION

The Lapeer County Friend of the Court/Prosecuting Attorney (FOC/PA) had a combination contract with the Michigan Family Independence Agency (FIA) to establish paternity, obtain support orders for all cases, and enforce all orders of support over which the Lapeer County FOC/PA had jurisdiction, to locate absent parents, and to provide certain reports on child support collections to the FIA. Lapeer County FOC/PA billed FIA monthly under the actual cost reimbursement billing method. FIA reimbursed Lapeer County for their costs based on the Federal IV-D Program regulations.

SCOPE

We performed an audit of the costs submitted for reimbursement by the Lapeer County FOC/PA for the period October 1, 2000 through September 30, 2001. We performed the audit tests that we determined were necessary to determine if costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

We found that the Lapeer County FOC/PA overbilled/ underbilled FIA for some line items. The State share of the net amount overbilled was \$135,371.00 (See Schedule A) Our report recommends the Office of Child Support initiate the process to recoup \$135,371.00 from the Lapeer County FOC/PA.

FOC/PA RESPONSE

The Lapeer County FOC/PA has reviewed all findings and recommendations included in this report. They indicated in a letter dated June 12, 2003 that they are in agreement with findings #1, 2 and 3 and they disagree with findings # 4 and 5.

FINDINGS

Other Direct-Purchase of a Car

1. The Lapeer County FOC/PA overbilled FIA \$14,633.00 in June 2001 for improperly expensing the total cost of an automobile. The County also continued depreciating the cost of the same car over a period of five years. (See Schedule A.)

Personnel – Retirement Account

2. The Lapeer County FOC/PA underbilled the FIA \$4,235.00 for retirement cost because the County used a lower rate than they actually contributed for retirement computations for billing purposes. The retirement contribution rates effective January 1, 2001 were not changed to the new higher rates of contribution as determined by the annual actuarial valuation report of the Lapeer County employees' retirement system. (See Schedule A.)

Personnel - VEBA Account Health Care for Retirees

3. The Lapeer County FOC/PA overbilled the FIA \$639.00 for six employees who were not eligible because they did not complete three (3) years of full time service on or after 1/01/01 as required by VEBA Account health care plan for retirees. (See Schedule A.)

Personnel - Health Care Insurance

4. The Lapeer County FOC/PA overbilled the FIA \$23,201.00 for health insurance because the County billed FIA at a higher premium rate than what they actually paid for eleven (11) employees. (See Schedule A.)

Personnel – Self-Insurance Retained Earnings Balances

5. The Lapeer County FOC/PA overbilled FIA \$170,869.00 for self-insured workers' compensation, health and unemployment insurance. Lapeer County did not provide the detailed analysis as required by The Federal Office of Management and Budget Circular No. A-87, Attachment C, Section G, 2 for maintaining the retained earning balance of \$1,035,572.00 for self-insured workers compensation, \$1,705,179.00 for self-insured health insurance and \$349,834.00 for self-insured unemployment insurance. We allowed a 2 ½ month reserve balance for self-insured workers compensation, health and unemployment insurance when computing the overbilled amount. Circular A-87 limits the reserves in an internal service fund to 75 days of working capital. (See Schedule A.)

WE RECOMMEND the Office of Child Support initiate the process to recoup \$135,371.00 from the Lapeer County FOC/PA. (See Schedule A.)

Schedule A
Lapeer County FOC/PA
Summar of Audit Adjustments

| Finding # | Line Item | Year | | (Over)/Under Billed Gross Amount | IV-D % | (Over)/Under Billed IV-D Amount | State % | Due (State) County |
|--|------------------|-----------|--|--|--------|---------------------------------------|---------|-----------------------|
| 1 | Personnel | 2000-2001 | | \$ 4,349 | 97.37% | \$ 4,235 | | |
| 2 | Personnel | 2000-2001 | | \$ (656) | 97.37% | \$ (639) | | |
| 3 | Personnel | 2000-2001 | | \$ (23,828) | 97.37% | \$ (23,201) | | |
| 5 | Retained earning | 2000-2001 | | \$ (175,484) | 97.37% | \$ (170,869) | | |
| 6 | Depreciation | 2000-2001 | | \$ (15,028) | 97.37% | \$ (14,633) | | |
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| | | | | | | | | |
| Grand Total of the IV-D Audit Adjustments | | | | | | <u>\$ (205,107)</u> | | |
| | | | | | | | | |
| Calculation of the Payment Due the (State) County | | | | | | | | |
| | | | | | | | | |
| Audited IV-D Amount | | | | | | \$ 680,060 | | |
| IV-D Amount Used for the Payments Actually Made | | | | | | \$ (885,167) | | |
| IV-D Audit Adjustment Due (State) County | | | | | | \$ (205,107) | 66.00% | \$ (135,371) |